

**Corporate Credit Rating**  
 (Update)

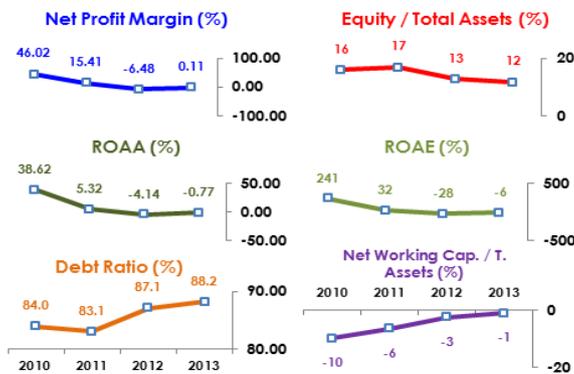
**Construction and Contracting**

VARYAP		Long-Term	Short-Term	
International	Foreign Currency	BB+	B	
	Local Currency	BB+	B	
	Outlook	Stable	Stable	
National	Local Rating	BBB- (Trk)	A-3 (Trk)	
	Outlook	Stable	Stable	
Sponsor Support		2	-	
Stand Alone		BC	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

\*Assigned by Japan Credit Rating Agency, JCR on July 11, 2014

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**Strengths**

- Restructured and decreased financial debt relieving the pressure on the balance sheet to a certain extent
- Capacity to engender income and cash flow through sale of investment properties and other valuable real estates
- Strong brand value based on successful completion of landmark projects
- Stable shareholding structure with experience in the construction and contracting sector
- Profit & Loss sharing agreement with a major creditor providing flexibility for liquidity management and alleviates the financing pressure to a certain extent

**Constraints**

- Steep decline in principal activity revenues and deterioration in fundamental profitability indicators, despite a moderate recovery in 2014
- Considerably high leverage ratio arising from a contraction in the equity base in the previous years
- Persisting net working capital deficit, indicating the need for additional liquidity
- Significant financing expenses, despite a reduction compared to the previous year, eroding the internally generated revenues
- Room for improvement in compliance with Corporate Governance best practices
- Short foreign currency position exposing the Company to volatilities in the FX markets and negatively impacting profitability,
- Exceedingly high off-balance sheet commitments and contingencies

**VARYAP VARLIBAŞLAR YAPI SAN. TUR. YAT. TİC. VE ELEKTRİK ÜRETİM A.Ş.**

Financial Data	2014/09**	2013*	2012*	2011*	2010*
Total Assets (000 USD)	386,919	413,581	453,856	459,319	419,771
Total Assets (000 TRY)	701,829	881,093	806,775	867,607	645,439
Equity 000 TRY)	118,846	103,934	103,832	146,930	103,485
Net Profit (000 TRY)	-14,690	102	-43,097	43,444	117,151
Net Sales (000 TRY)	267,376	93,111	665,253	281,929	254,541
Net Profit Margin (%)	-0.55	0.11	-6.48	15.41	46.02
ROAA (%)	-1.86	-0.77	-4.14	5.32	38.62
ROAE (%)	-13.19	-6.25	-27.65	32.12	240.85
Equity / Total Assets (%)	16.93	11.80	12.87	16.94	16.03
N. W. Capital / T. Assets (%)	42.99	-1.11	-2.53	-6.47	-9.84
Debt Ratio (%)	83.07	88.20	87.13	83.06	83.97
Asset Growth Rate (%)	-20.35	9.21	-7.01	34.42	n.a

\*End of year \*\* Unaudited Financial Statements

**Overview**

Founded in 1996, Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları Ticaret ve Elektrik Üretim A.Ş. (hereinafter referred to as "Varyap", "the Company" or "the Group") operates as a construction and contracting company. Varyap is wholly owned by the Varlıbaş family, of which Süleyman Varlıbaş is the primary shareholder.

Varyap earned its reputation thanks to several landmark projects such as Ali Sami Yen Sports Complex, Istanbul Court of Justice and Varyap Meridian Residence Complex which are not only challenging, but also massive complexes. The Company also completed a multitude of construction projects including shopping malls, offices, hospitals, public institution buildings and wastewater treatment plants.

The Group's real estate development projects attempt to comply with global standards of environmental design and sustainability evidenced by Varyap Meridian which has become the first LEED-certified project in Turkey. Furthermore, Varyap emphasizes inspiring and creative architectural building designs. The Group's Metropoli Istanbul project, undertaken as a joint venture with GAP Insaat, will be its second multi-purpose real estate project with residences, offices, shopping areas and a hotel.

The Group employed a total of 519 people as of 2013, and many more receive indirect employment opportunities through subcontractors.

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